

ORIGINAL
OPEN MEETING



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MEMORANDUM

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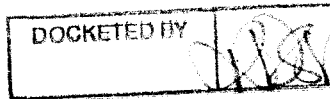
TO: THE COMMISSION ^{Arizona Corporation Commission} DOCKETED

FROM: Utilities Division

JAN 19 2011

2011 JAN 19 A 8:50

DATE: January 19, 2011



DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF LITTLE PARK WATER COMPANY FOR AUTHORITY TO REINSTATE AN ARSENIC HOOK-UP FEE TARIFF (DOCKET NO. W-02192A-10-0404)

Introduction

On October 4, 2010, Little Park Water Company ("Little Park" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for authority to reinstate an arsenic hook-up fee tariff. On October 27, 2010, Staff requested a 30 day suspension of the time clock to allow Staff additional time to prepare a filing requesting more time to review this application. The Company did not oppose this motion, which was granted by the Administrative Law Judge on October 28, 2010. On November 22, 2010, Staff requested a 120 day extension to evaluate the merits of this tariff filing. On December 10, 2010, the Commission issued Decision No. 72036, suspending the filing through March 31, 2011.

Background

Little Park is a for-profit Arizona subchapter "C" corporation providing water services in Yavapai County, Arizona, in the vicinity of the Town of Sedona. Commission Decision No. 71840, dated August 10, 2010, granted the Company's current rates.

In Decision No. 67886, dated June 1, 2005, the Commission authorized Little Park to collect an arsenic hook-up fee from all customers requesting services at a new service location. The funds collected through the arsenic hook-up fee were to be used to supplement the funding for the construction of an arsenic treatment facility ("ATF") serving two of Little Park's existing wells. Construction on the ATF was completed on June 30, 2009, at a cost of \$267,091.

The Company anticipated that arsenic hook-up fees from the Verde Valley School (\$68,000) and Camp Soaring Eagle (\$118,800) would serve as the primary source of funding for the ATF construction. Accordingly, the Company requested and the Commission granted in Decision No. 71172¹ termination of the arsenic hook-up fees authorized in Decision No. 67886. The Company has received the expected fees from the Verde Valley School; however, the Company has received none of the expected fees from Camp Soaring Eagle and no fees are

¹ Issued June 30, 2009.

forthcoming due to cancellation of that project. Little Park financed the ATF funding deficit resulting from the loss of the Camp Soaring Eagle fees by obtaining a loan from its corporate parent, Big Park Water Company.² On September 27, 2010, Little Park filed an application for authorization to incur long-term debt to refinance the bridge loan from its parent.³

Consumer Services

Staff's review of the Commission's records for the period January 1, 2007, to December 22, 2010, found only one complaint, regarding a service line extension, and no opinions. In 2009 and 2010 YTD, there were no complaints, inquiries, or opinions expressed. The 2008 complaint in question was resolved and is now closed.

Compliance

The Company is in good standing with the Commission's Corporations Division.

Staff Analysis

Due to Camp Soaring Eagle's inability to fulfill its obligation under the approved line extension agreement, Little Park is looking into alternate methods to repay its construction loan financing. Little Park is in the process of obtaining a seven year bridge loan with Chase Bank. The Company is now asking for the authority to reinstate Arsenic Hook-up fees previously authorized in Decision No. 67886 to reduce the rate impact of the ATF and to generate additional funds to repay the long-term debt the Company anticipates issuing subject to the Commission's authorization.

The proposed hook-up fees, by meter size, are shown below.

| <u>Meter Size</u> | <u>Meter Factor</u> | <u>Fee</u> |
|-------------------|---------------------|------------|
| 5/8" x 3/4" | 1 | \$ 1,650 |
| 3/4" | 1.2 | \$ 1,980 |
| 1" | 2 | \$ 3,300 |
| 1-1/2" | 4 | \$ 6,600 |
| 2" | 6.4 | \$10,560 |
| 3" | 12 | \$19,800 |
| 4" | 20 | \$33,000 |
| 6" | 40 | \$66,000 |

Staff notes that hook-up fees are not a reliable source of funds for financing debt as demonstrated by the Company's recent history. Over the past five years, the Company has had a

² Little Park's balance sheet dated July 31, 2010, shows a loan balance of \$117,642.

³ Docket No. W-02192A-10-0395.

growth rate of approximately 2 percent, or two new customers per year (GTM-1.1). Based on its past growth history, the Company estimates that it will take 18 years to recover the \$118,800 in funds lost due to cancellation of the Camp Soaring Eagle project (GTM-1.3). Nevertheless, any funds generated by hook-up fees will provide the Company with additional cash flow and serve to reduce rate base and future rates.

Staff Recommendations

Staff recommends approval of the Company's request to reinstate the arsenic hook-up fee tariff authorized in Docket No. 67886 and subject to the following conditions:

- a. The monies collected under this tariff shall be used to pay for only arsenic treatment equipment and related appurtenances (including engineering and design costs for such facilities, but no operation and maintenance) necessary for the removal of arsenic through treatment of water to meet the 10 ppb arsenic standard.
- b. The tariff is applicable to all new service connections established after the effective date of the tariff.
- c. The tariff shall be non-refundable; therefore, facilities installed using these funds shall be contributions in aid of construction.
- d. All funds collected by the Company pursuant to the tariff shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of arsenic treatment facilities, including repayment of loans obtained for the installation of arsenic treatment facilities that will benefit the entire water system.
- e. After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the tariff has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- f. The Company be required to submit to Docket Control a calendar year status report each year by January 31 for the prior twelve-month period, beginning January 31, 2012, until the tariff is no longer in effect. This status report should contain a list of all customers that have paid the tariff, the amount each has paid,

THE COMMISSION

January 19, 2011

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the amount of money spent from the account, the amount of interest earned on the tariff account, a list of all facilities that have been installed and all loan payments made with the tariff funds during the twelve-month period.



Steven M. Olea
Director
Utilities Division

SMO:GTM:lhmvAV

Originator: Gary T. McMurry

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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF THE APPLICATION
OF LITTLE PARK WATER COMPANY
FOR AUTHORITY TO REINSTATE AN
ARSENIC HOOK-UP FEE TARIFF

DOCKET NO. W-02192A-10-0404
DECISION NO. _____
ORDER

Open Meeting
February 1 and 2, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Little Park Water Company ("Little Park" or "Company") is a for-profit Arizona subchapter "C" corporation providing water services in Yavapai County, Arizona, in the vicinity of the Town of Sedona.
2. Commission Decision No. 71840, dated August 10, 2010, granted the Company's current rates.
3. In Decision No. 67886, dated June 1, 2005, the Commission authorized Little Park to collect an arsenic hook-up fee from all customers requesting services at a new service location.
4. The funds collected through the arsenic hook-up fee were to be used to supplement the funding for the construction of an arsenic treatment facility ("ATF") serving two of Little Park's existing wells.
5. Construction on the ATF was completed on June 30, 2009, at a cost of \$267,091.
- ...

1 6. The Company anticipated that arsenic hook-up fees from the Verde Valley School
2 (\$68,000) and Camp Soaring Eagle (\$118,800) would serve as the primary source of funding for
3 the ATF construction.

4 7. The Company requested and the Commission granted in Decision No. 71172¹
5 termination of the arsenic hook-up fees authorized in Decision No. 67886.

6 8. The Company has received the expected fees from the Verde Valley School;
7 however, the Company has received none of the expected fees from Camp Soaring Eagle and no
8 fees are forthcoming due to cancellation of that project.

9 9. Little Park financed the ATF funding deficit resulting from the loss of the Camp
10 Soaring Eagle fees by obtaining a loan from its corporate parent, Big Park Water Company.²

11 10. On September 27, 2010, Little Park filed an application for authorization to incur
12 long-term debt to refinance the bridge loan from its parent.³

13 11. Staff's review of the Commission's records for the period January 1, 2007, to
14 December 22, 2010, found only one complaint, regarding a service line extension, and no
15 opinions. The 2008 complaint in question was resolved and closed.

16 12. In 2009 and 2010 YTD there were no complaints, inquiries, or opinions expressed.

17 13. The Company is in good standing with the Commission's Corporations Division.

18 14. Due to Camp Soaring Eagle's inability to fulfill its obligation under the approved
19 line extension agreement, Little Park is looking into alternate methods to repay its construction
20 loan financing.

21 15. Little Park is in the process of obtaining a seven-year bridge loan with Chase Bank.

22 16. The Company is now asking for the authority to reinstate the Arsenic Hook-up fees
23 previously authorized in Decision No. 67886 to reduce the rate impact of the ATF and to generate
24 additional funds to repay the long-term debt the Company anticipates issuing subject to the
25 Commission's authorization.

26 17. The Company-proposed hook-up fees, by meter size, are shown below.

27 ¹ Issued June 30, 2009.

28 ² Little Park's balance sheet dated July 31, 2010, shows a loan balance of \$117,642.

³ Docket No. W-02192A-10-0395.

| | <u>Meter Size</u> | <u>Meter Factor</u> | <u>Fee</u> |
|---|-------------------|---------------------|------------|
| 1 | 5/8" x 3/4" | 1 | \$ 1,650 |
| 2 | 3/4" | 1.2 | \$ 1,980 |
| 3 | 1" | 2 | \$ 3,300 |
| 4 | 1-1/2" | 4 | \$ 6,600 |
| 5 | 2" | 6.4 | \$10,560 |
| 6 | 3" | 12 | \$19,800 |
| 7 | 4" | 20 | \$33,000 |
| 8 | 6" | 40 | \$66,000 |

18. Staff recommends the reinstatement of the Arsenic Hook-up fees as shown above and subject to the following conditions.

- a. The monies collected under this tariff shall be used to pay for only arsenic treatment equipment and related appurtenances (including engineering and design costs for such facilities, but no operation and maintenance) necessary for the removal of arsenic through treatment of water to meet the 10 ppb arsenic standard.
- b. The tariff is applicable to all new service connections established after the effective date of the tariff.
- c. The tariff shall be non-refundable; therefore, facilities installed using these funds shall be contributions in aid of construction.
- d. All funds collected by the Company pursuant to the tariff shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of arsenic treatment facilities, including repayment of loans obtained for the installation of arsenic treatment facilities that will benefit the entire water system.
- e. After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the tariff has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- f. The Company be required to submit to Docket Control a calendar year status report each year by January 31 for the prior twelve-month period, beginning January 31, 2012, until the tariff is no longer in effect. This status report should contain a list of all customers that have paid the tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the tariff account, a list of all facilities that have been installed and all loan payments made with the tariff funds during the twelve-month period.

19. We find that Staff's recommendations, as set forth in Findings of Fact Nos. 17 and 18, are reasonable and should be adopted.

CONCLUSIONS OF LAW

1. The Company is a public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution and A.R.S. §§40-250 and 40-252.

2. The Commission has jurisdiction over the Company and of the subject matter of the application.

3. Approval of the filing does not constitute a rate increase as contemplated by A.R.S. § 40-250.

4. The Commission, having reviewed the application and Staff's memorandum, dated January 19, 2011, concludes that the Company's request to reinstate its Arsenic Hook-up Fee tariff is lawful and in the public interest.

ORDER

THEREFORE IT IS ORDERED that the application by Little Park Water Company to reinstate its tariff for an arsenic hook-up fee, as set forth in Finding of Fact No. 17, is hereby approved.

IT IS FURTHER ORDERED that Little Park Water Company shall comply with the requirements contained in Finding of Fact No. 18.

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IT IS FURTHER ORDERED that a hook-up fee tariff consistent with that ordered herein shall be filed in this docket as a compliance item within thirty (30) days of the effective date of this Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2011.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:GTM:lhmv\AV

1 SERVICE LIST FOR: Little Park Water Company
2 DOCKET NO. W-02192A-10-0404

3 Mr. Craig A. Marks
4 Craig A. Marks, PLC
5 10645 North Tatum Boulevard, Suite 200-676
6 Phoenix, Arizona 85028

6 Mr. Stevan Gudovic
7 President
8 Little Park Water Company
9 45 Castle Rock Road, Suite 4
10 Sedona, Arizona 86351

10 Mr. Steven M. Olea
11 Director, Utilities Division
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

13 Ms. Janice Alward
14 Chief Counsel
15 Arizona Corporation Commission
16 1200 West Washington
17 Phoenix, Arizona 85007

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